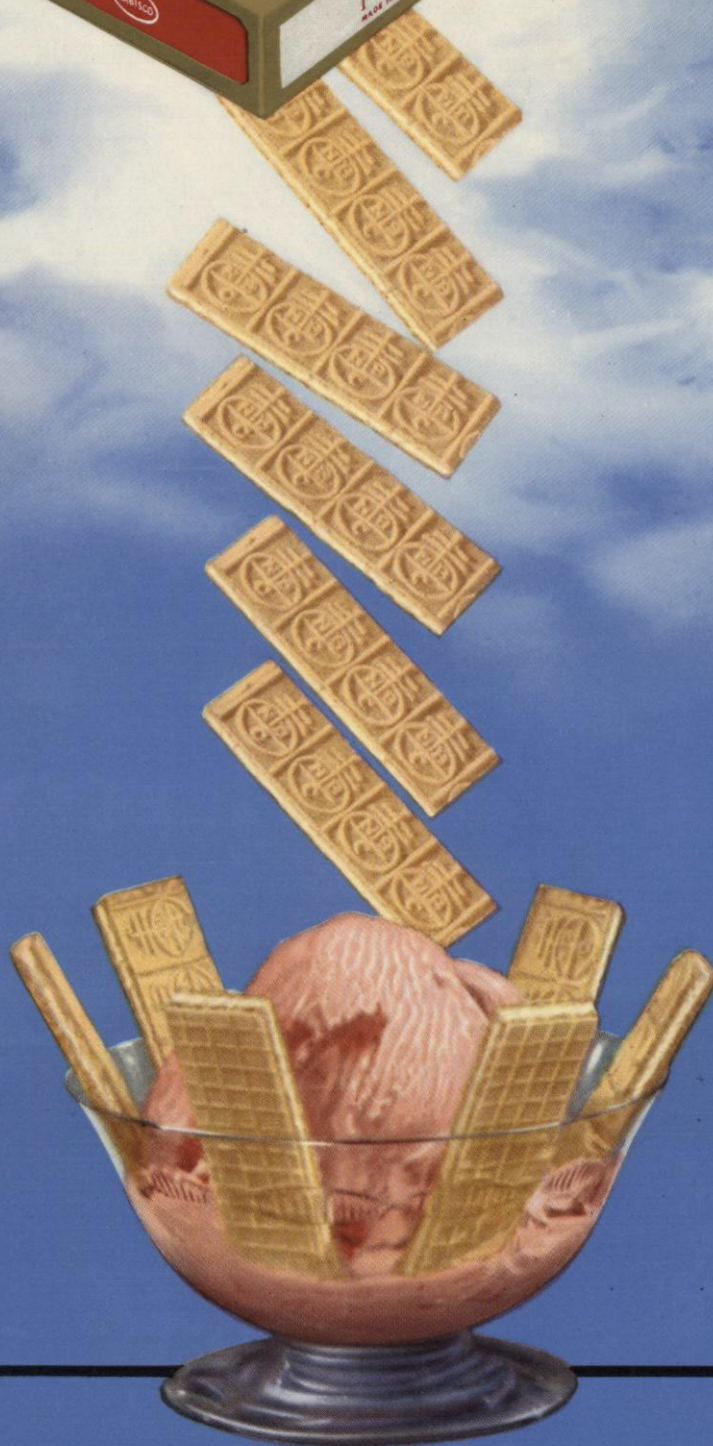
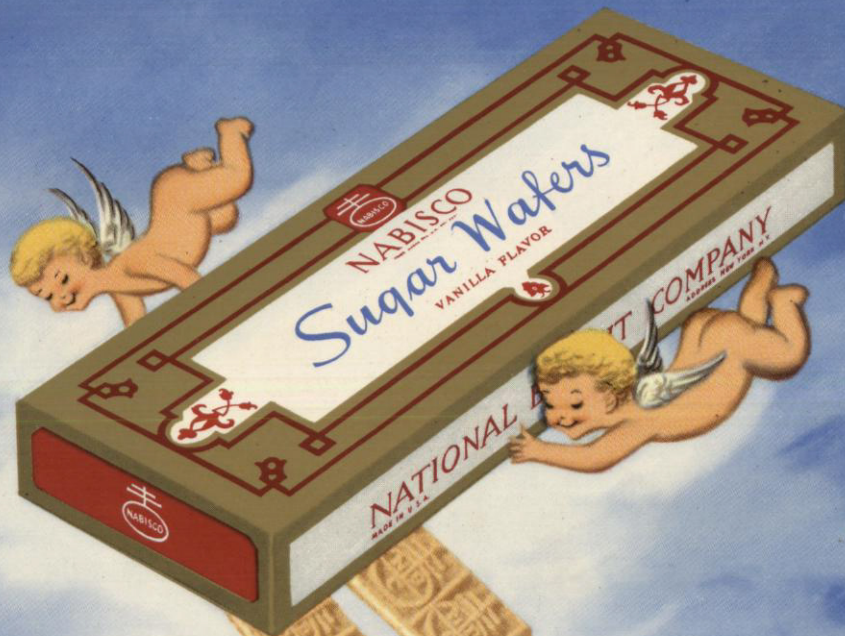


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CORPORATE FILE

NATIONAL BISCUIT COMPANY

ANNUAL REPORT

YEAR ENDED
DECEMBER 31, 1949



Directors

ROY E. TOMLINSON, Chairman

CHARLES C. AUCHINCLOSS	GEORGE A. MITCHELL
HENRY J. COCHRAN	EDWARD S. MOORE, JR.
GEORGE H. COPPERS	PAUL MOORE
FRANKLIN D'OLIER	ALEXANDER C. NAGLE
ROBERT A. FAIRBAIRN	LIVINGSTON PLATT
DUDLEY W. FIGGIS	RUSSELL M. SHULTZ
ROY C. GASSER	WILLIAM WHITE

Officers

GEORGE H. COPPERS, President

EDWARD S. MOORE, JR., Executive Vice President

THOMAS F. BURKE	Vice President, Bread Department
HOWARD B. CUNNINGHAM	Vice President, Purchasing
HARRY T. EGGERT	Vice President, Personnel Relations
GEORGE A. MITCHELL	Vice President, Finance
RUSSELL M. SHULTZ	Vice President, Operations
WARREN S. WARNER	Vice President, Sales
HERBERT E. WIGGIN	Vice President, Traffic
FREDERICK F. BRODESSER	General Auditor
ALBERT T. BULLOCK	Secretary and Treasurer
CHARLES S. WEBSTER	Controller

EVERETT W. BARTO General Counsel

Transfer Agent: GUARANTY TRUST COMPANY, NEW YORK 15, N. Y.

Registrar: FIRST NATIONAL BANK, NEW YORK 15, N. Y.

The Year in Brief

	<u>1949</u>	<u>1948</u>
Net sales	\$294,420,391	\$296,250,431
Income from operations	36,059,900	34,851,331
Net income	21,676,903	22,713,736†
Net income per dollar of sales	7.4 cents	7.7 cents†
Net income per share of common stock	3.17	3.33†
Dividends declared	14,315,211	14,315,211
Per share of preferred stock	7.00	7.00
Per share of common stock	2.00	2.00
Net income retained in the business	7,361,692	8,398,525
Cost of plant and equipment additions	20,286,951	16,791,594
Current assets	89,074,298	91,433,263
Current liabilities	31,960,010	27,865,373
Working capital	57,114,288	63,567,890

†Includes extraordinary income of \$1,400,000 equal to 0.5 cents per dollar of sales and 22 cents per share of common stock. (For explanation see Note 4 to the financial statements on page 27.)



GEORGE H. COPPERS, PRESIDENT

**NATIONAL
BISCUIT
COMPANY**

[General Offices]

449 West 14th Street
New York 14, N. Y.

**TO OUR STOCKHOLDERS
AND EMPLOYEES**

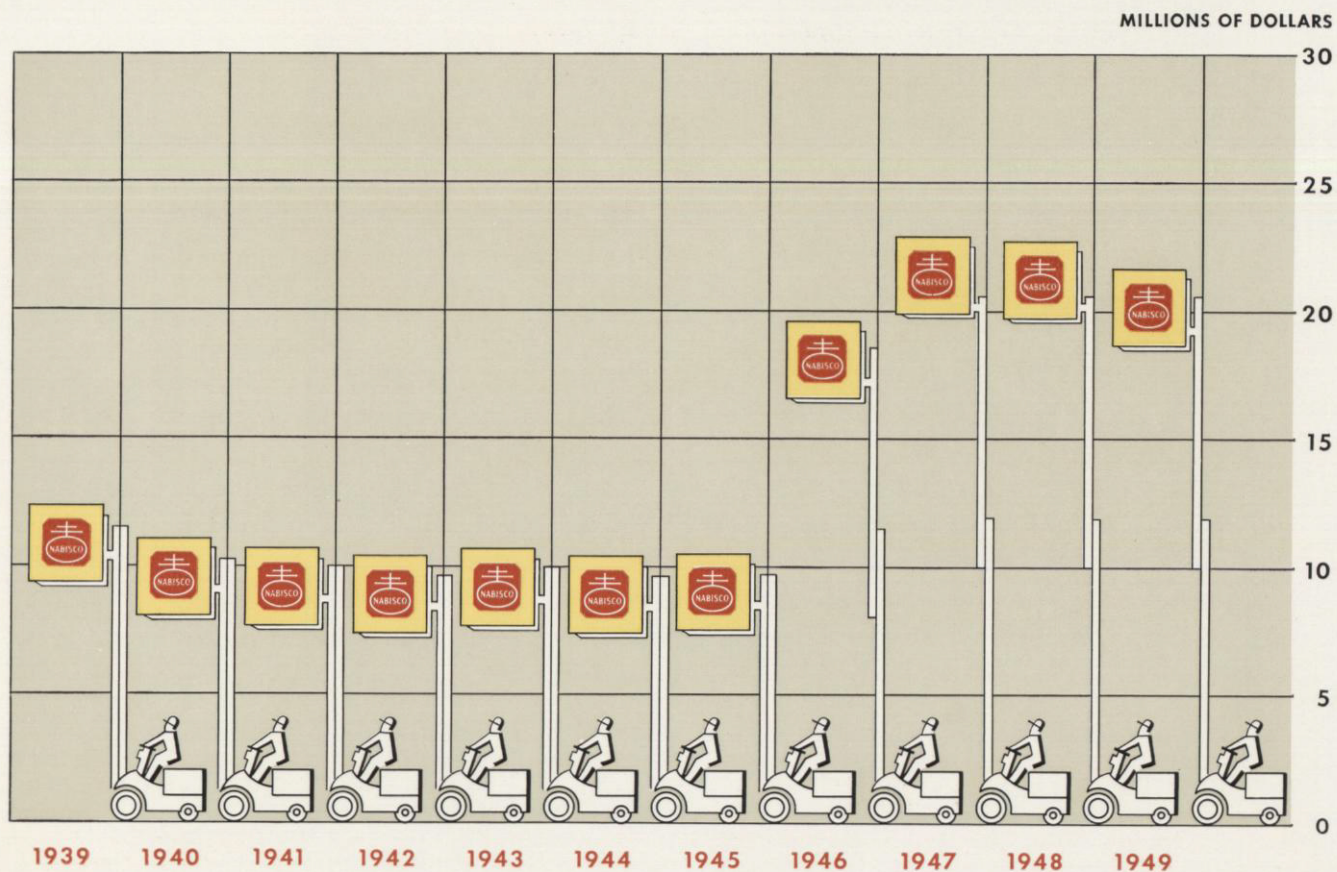
THE YEAR 1949 was one of economic adjustment for the country. However, the demand for Nabisco products continued and our tonnage sales were at record levels.

Many of our long-range plans came to fruition in 1949. Our profits from operations were a little higher, our physical plant was enlarged, and our personnel increased in effectiveness.

We are part of what we in the food business call "The Life Line of America", bringing the products of the farm to the table of the consumer. The cold statistics of an annual report fail to portray the thought and effort of the people who produced the results. Therefore, our thanks to our stockholders who put up the money to provide the plants and make the jobs; to our employees who make, sell and distribute our products, as well as those who aid in other ways; and to our retailers who perform the final important step of making our products available to consumers.

The following comments highlight our activities during the past year—the fifty-second year of Company operations—and our plans for the future. Appended are detailed financial statements and operating reports.

COMPARISON OF NET EARNINGS



The above information is shown in more detail on pages 30 and 31

Profit and Profit Rate

Net profits for 1949 were \$3.17 per share of common stock. This compares with \$3.33 (including extraordinary income of 22 cents per share of common stock) earned in 1948. (The results of our operations in 1949, compared with 1948, are shown in detail in the statement on page 26.)

Prior to 1949 National Biscuit Company included wages paid to em-

ployees during vacations as an expense in the year the vacations were granted. Due to changes in Company practice and in labor agreements, these vacation payments now accrue during the period in which employees qualify for vacations. Therefore, 1949 results reflect the cost of vacation payments made in 1949, as well as those that have been earned but will not be paid until 1950. Net profit for 1949 was reduced approximately

\$2,000,000 (equivalent to 32 cents per share of common stock) because of the accrual of the estimated amount of the 1950 vacations less the related federal income tax effect.

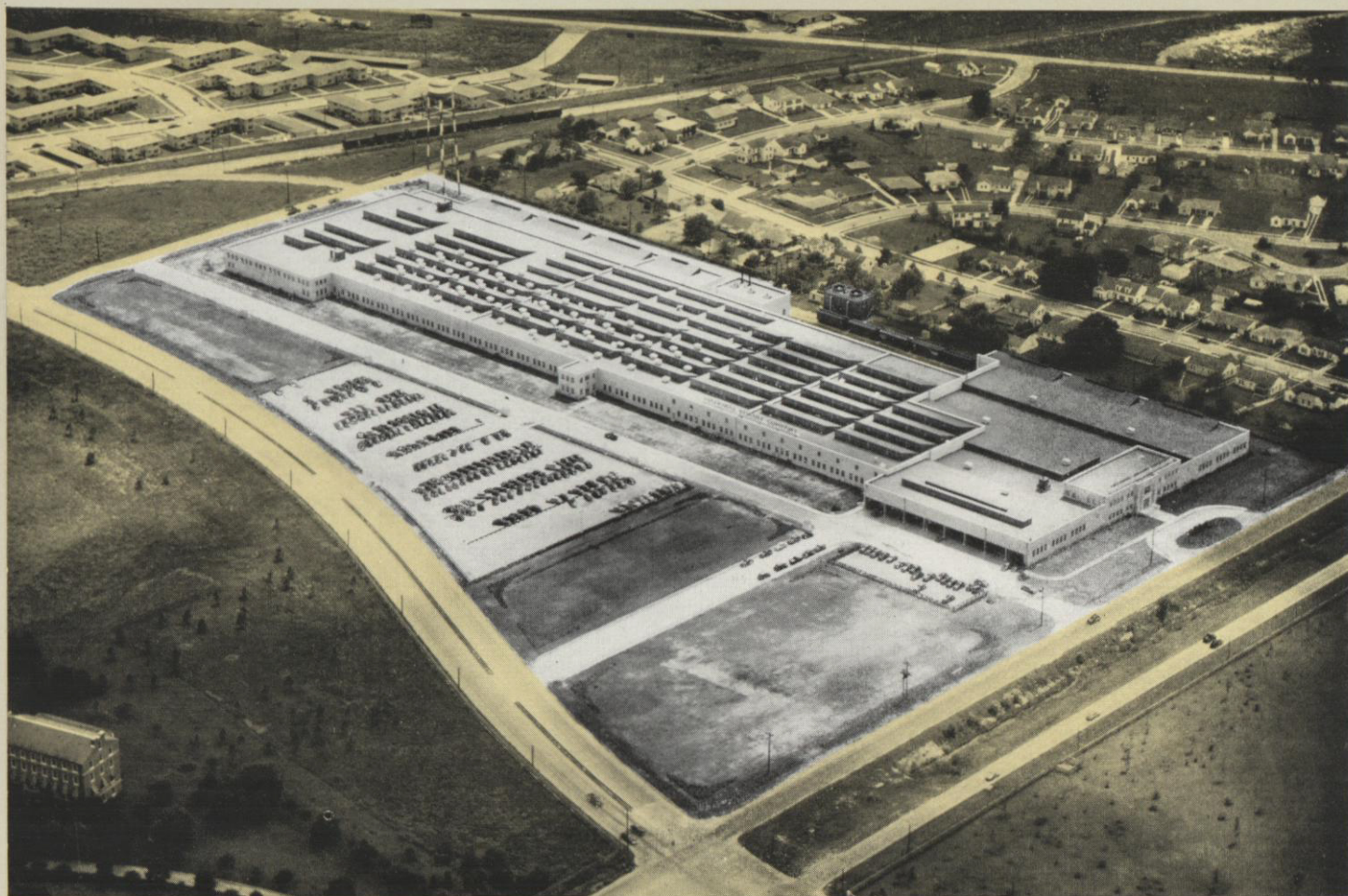
Although our net profit per share of common stock has increased substantially during the last few years, our profit rate in relation to sales continues to be lower than for the pre-war period. While our sales have increased rapidly during the past decade, labor rates and the prices of practically everything we buy have also increased sharply over that pe-

riod. These increased costs have not been fully absorbed by price increases of our products.

We have maintained a policy of holding down prices as much as possible. And we have worked consistently to improve our production and distribution techniques, in order to control our costs. As a result we have enlarged our markets constantly, maintaining maximum production, and securing the utmost long-range benefits for stockholders, employees, retailers and consumers.

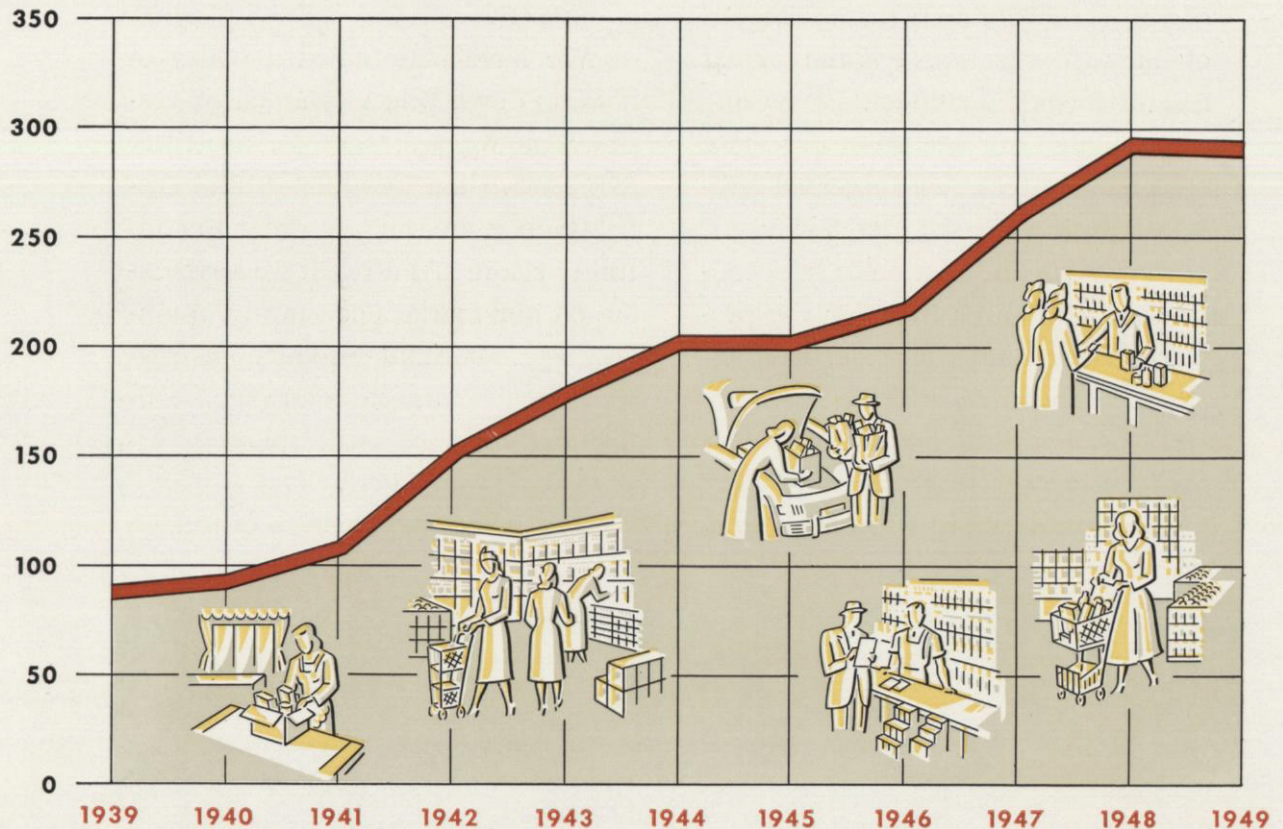
The recent devaluation of foreign

Houston, Texas, Cracker Bakery



COMPARISON OF NET SALES

MILLIONS OF DOLLARS



The above information is shown in more detail on pages 30 and 31

currencies will have no material effect on our profits. At most it will amount to approximately five cents per share of common stock a year. The currency devaluation occurred in September, 1949, and consequently affected our earnings for only the last three months of the year.

Our Sales

Net sales for the year 1949 to-

taled \$294,420,391, compared with \$296,250,431 in 1948. The decrease is almost entirely accounted for by the reduced dollar value of foreign sales resulting from the recent devaluation of foreign currencies. Our tonnage sales for the year set a new record.

Sales of the various types of merchandise we produce, and sales by geographical areas—both domestic and foreign—continued at high levels during the year.

Completion of a number of new plants—discussed later in this report—has given us additional facilities to meet the demand for many of our products and to help reduce production costs.

Our Financial Position

The Company's financial position continues strong.

Our working capital at the end of 1949 was \$57,114,000, a decrease of \$6,454,000 as compared with 1948. This decrease was due to our use of a very substantial amount of cash to pay for our plant expansion program. Thus we have increased our

investment in fixed assets in order to strengthen our future profit position.

To pay for our projected program of plant expansion and modernization, it is necessary that we maintain liquid assets substantially in excess of our normal requirements.

Raw materials, supplies and finished product inventories were lower at the close of 1949 than in the previous year. This is due principally to lower raw material costs. Also, since all commodities we now use are in plentiful supply, it is our policy to hold inventories as low as possible, consistent with efficient operations.

Our plants, real estate, machinery and equipment account (net) in-

CHANGES IN CONSOLIDATED WORKING CAPITAL

(All amounts are expressed in thousands of dollars)

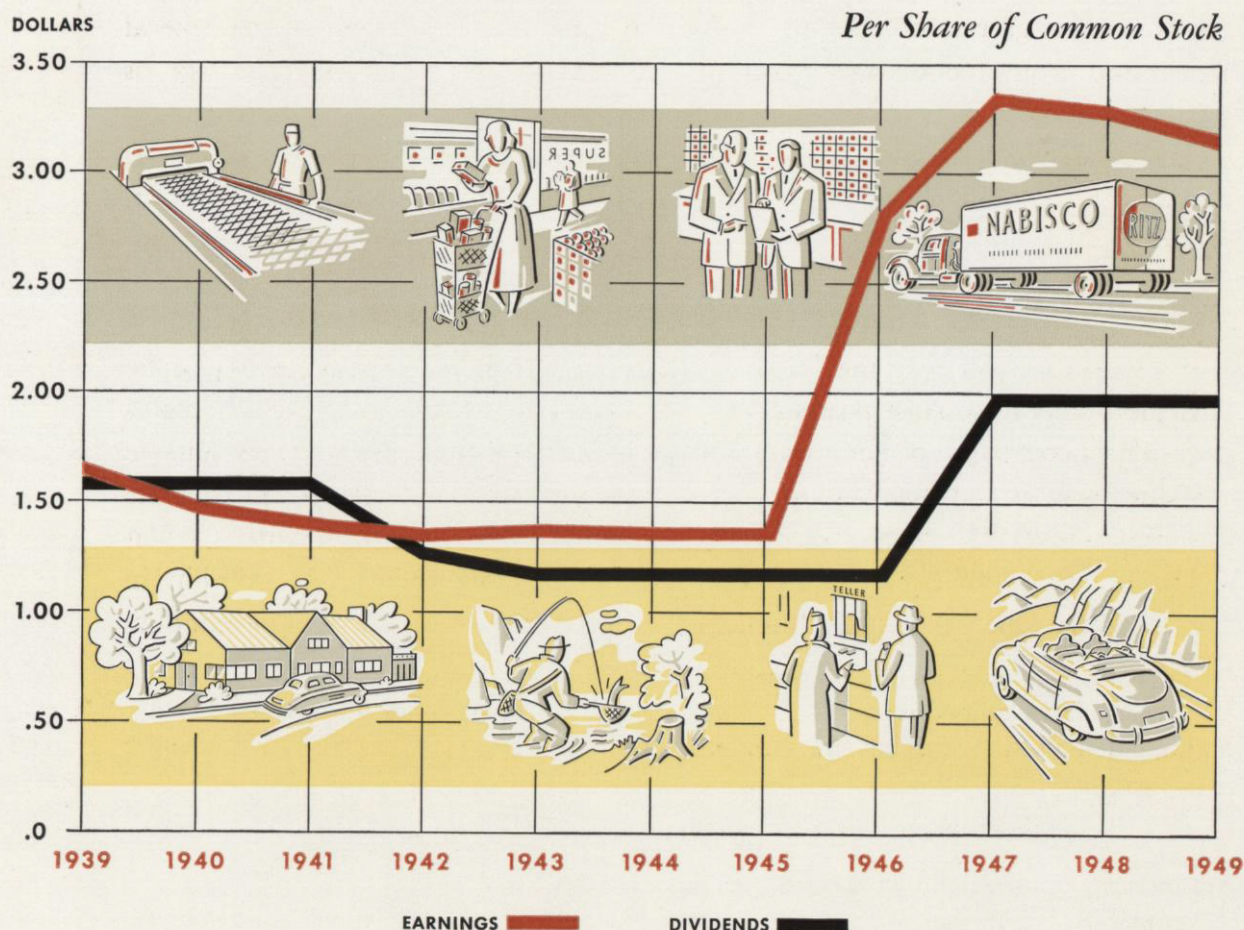
	1949	1948	1947	1946	1945
ADDITIONS TO WORKING CAPITAL:					
Net income	\$21,677	\$22,714	\$22,902	\$19,655	\$10,508
Provision for depreciation	5,549	4,227	3,809	3,583	3,456
Sales of properties	293	153	463	103	3,104
Total additions	\$27,519	\$27,094	\$27,174	\$23,341	\$17,068
DEDUCTIONS FROM WORKING CAPITAL:					
Expenditures for plants, real estate, machinery and equipment	\$20,287	\$16,792	\$ 6,964	\$ 3,369	\$ 1,190
Cash dividends to stockholders . .	14,315	14,315	14,315	9,283	9,283
Other (net)	629	415	487	39	2,376
Total deductions	\$33,973	\$31,522	\$21,766	\$12,691	\$ 8,097
Net increase or <i>decrease</i> in working capital	\$ 6,454	\$ 4,428	\$ 5,408	\$10,650	\$ 8,971

creased \$14,400,000 during 1949. This includes new plants, as well as replacement of and additions to equipment in existing plants, as explained later in this report.

The new cracker bakery erected in Toronto, Canada, by our subsidiary, Christie, Brown and Company, Limited, made necessary the expenditure of more funds than we had available in Canada. Rather than transfer funds

from National Biscuit Company, it was decided to borrow funds in Canada to complete construction, and to repay the loan with cash realized from future Canadian earnings. National Biscuit Company has deposited with the New York agency of the Canadian bank, United States Government securities in sufficient amount to guarantee repayment of the loan by our Canadian subsidiary.

COMPARISON OF EARNINGS AND DIVIDENDS



The above information is shown in more detail on pages 30 and 31

Our Dividend Policy

The unbroken dividend record of our Company — for both preferred and common stocks — was continued in 1949. Dividends for that year totaled \$7.00 per share on the noncallable, cumulative preferred stock and \$2.00 per share on the common stock.

Gross expenditures for new plant and equipment during the year totaled \$20,300,000. After dividends, \$7,400,000 of the year's income remained for reinvestment. This, together with depreciation provisions of \$5,500,000, fell short of the requirement for 1949 additions by \$7,400,000. The balance was drawn from prior years' earnings retained in the business and from the demand loan in Canada. These increased facilities not only made for increased production and profit, but also created and maintained jobs.

It is our purpose to maintain the physical plant and financial position at a level that will keep the Company in the soundest possible position.

The book value of common stock at the end of 1949 was \$116,531,000, an increase of \$38,270,000 since 1939. The increase in the equity of the common stock, due to the retention of earnings, strengthens the Company's competitive position and is in the best long-range interests of the stockholders.

Taxes

Taxes continued to be a major expense and for the year 1949 totaled \$17,800,000, exclusive of social security taxes. Taxes for the year amounted to \$573 for each of our employees and \$2.83 per share of common stock. For every dollar we took in 6.1 cents were paid out in taxes.

The NABISCO Family

MANAGEMENT:

The executive officers have an average of 29 years of service with the Company. Generally, they have worked their way up from minor positions in one or more of the several departments. Their average age is 52 years.

Realizing that capable managerial replacements must always be available, the Company's executive development program has been expanded and intensified during the year.

It continues to be the policy of the Company to have employees in training at all supervisory levels and to promote from within, except in those instances where people with specialized training need to be brought in from the outside in order to strengthen the Company.

The following changes were made in our organization:

Edward S. Moore, Jr., Director,

Vice President and Assistant to the President, was elected Executive Vice President on April 25, 1949.

George A. Mitchell, Vice President for Finance, became a member of our Board of Directors on June 27, 1949.

Russell M. Shultz, Vice President for Operations, became a member of our Board of Directors on September 26, 1949.

Herbert E. Wiggin, Traffic Manager, was elected Vice President for Traffic on December 19, 1949.

* * * *

We are grieved to report the death during the year of Edward F. Low, who had been a member of the Board of Directors since March 19, 1917.

We also report with deep regret the death of Frank K. Montgomery. He was Executive Vice President prior to his retirement on May 1, 1946, and continued as a member of our Board of Directors until his death. He had been in the service of the Company, in various capacities, since June 1, 1917.

* * * *

EMPLOYEES:

Our labor turnover has shown a continuous decline each year since the end of the war and is now at a satisfactory level. Many of our employees have long service records

in the Company: 11 per cent have served 25 years or longer; 9 per cent from 20 to 25 years; 8 per cent from 15 to 20 years; and 7 per cent from 10 to 15 years.

During 1949, pensions paid to retired employees totaled \$1,017,000. The Company's expense for contributions to federal old-age and survivors insurance amounted to \$752,000. At the close of the year 1,533 former employees were receiving Company pensions.

Under our group life insurance plan, \$468,000 was paid out in death and total disability benefits during the year. This figure added to payments made in past years brings the total to \$8,000,000.

During the year a nonoccupational benefit plan was established. This provides for sickness, accident, and accidental death and dismemberment benefits for employees, together with hospital, surgical and medical benefits for both employees and their dependents. The entire cost of this plan is borne by the Company. The plan became effective December 1, 1949, for all employees actively at work in the United States on that date, excepting a small number working under union contracts which do not provide for our benefit plan.

The Company's safety program, which has been in operation for many years, was successful in 1949 in reduc-

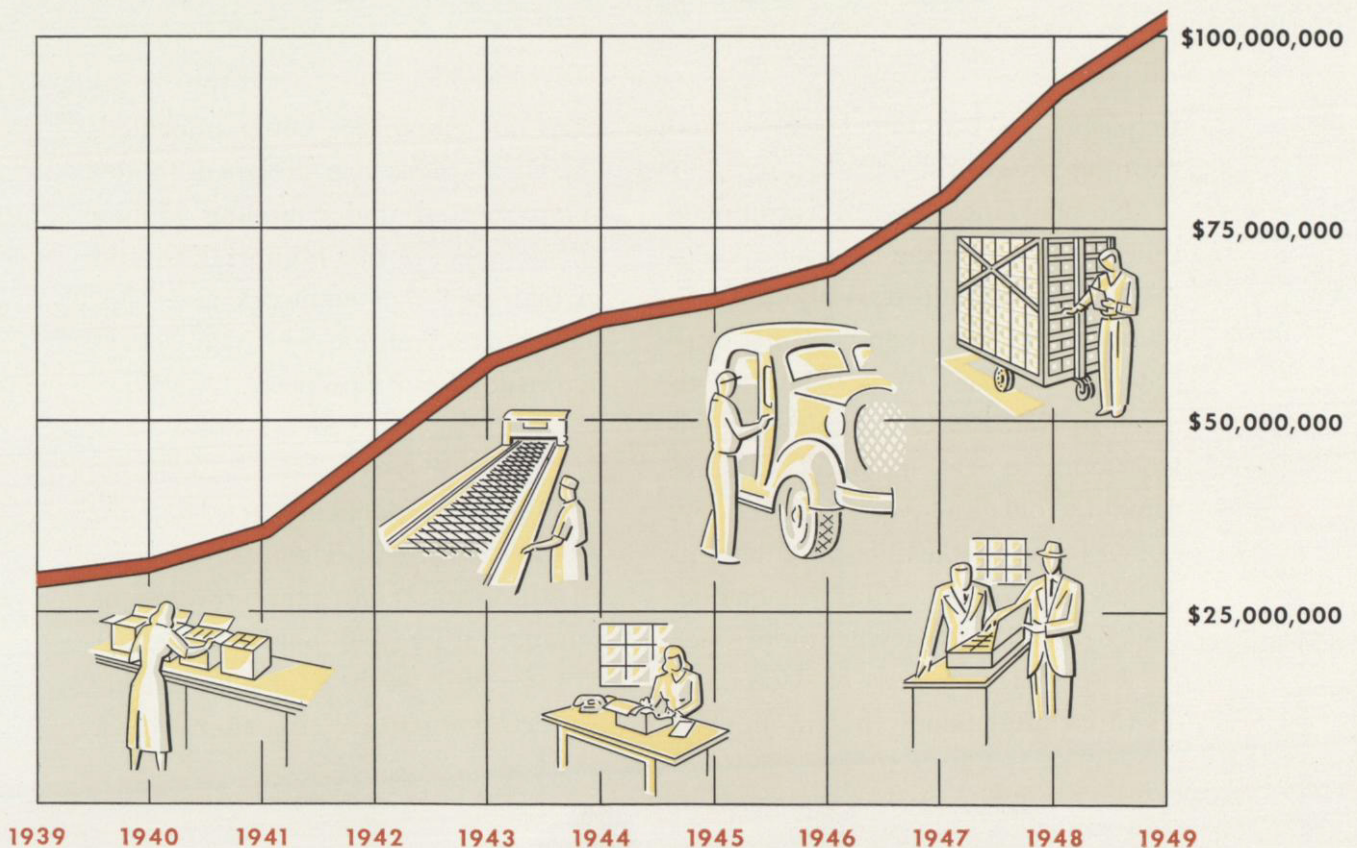
ing industrial accidents by 19 per cent and motor vehicle accidents by 18 per cent, compared with 1948, which was also a good record year. This happy result was brought about by the combined efforts of the employees working in co-operation with our field supervisory organization and safety personnel.

The third year of operation of our suggestion system has been completed. The plan is an organized means to encourage employees to submit suggestions for improving any phase of

the Company's operations. The interest and participation of employees have increased steadily and the quality of the suggestions has improved. In 1949, \$20,000 was awarded to employees whose suggestions were adopted.

The success of a company depends on the people who work for it. With this in mind, we have worked on improved methods of developing our present employees and of selecting, placing and training new employees. Many more employees are now par-

COST OF EMPLOYEES' SERVICES



The above information is shown in more detail on pages 30 and 31



Typical store display of NABISCO products

ticipating in our development and training programs.

No personnel program is complete unless it provides the means for keeping employees informed about Company affairs. To this end definite steps have been taken. A booklet, "Welcome to NABISCO", serves as an introduction to new employees and a reminder to old employees of the history, policies and departmental functions of the Company. Our magazine, "NABISCO", now devotes more space to describing matters of Company operation and policy, in an effort to

keep our employees better informed.

These plans are designed to develop mutual understanding among all members of our organization and to maintain the teamwork and high standards of morale which are characteristic of our Company.

STOCKHOLDERS:

Our stockholders now total 64,579, an increase of 15 per cent since 1939. Of this total 59,913 are owners of common stock and hold an average of 105 shares each. Many banks, insurance companies, educational and

other institutions are owners of our preferred and common stocks.

FARMERS:

We are an important customer of the farmer. The major ingredients of our products are wheat, flour, sugar and shortening. We also use great quantities of cheese, eggs, milk products, dried fruits, honey and other farm products.

Since 1939 our use of wheat in cereals and of wheat in the form of flour has increased nearly 70 per cent. Our use of both shortening and

sugar has increased over 100 per cent. Our use of other commodities has increased in proportion.

Our ability to create new products and to increase the sale of all our products naturally means more income for the farmer.

RETAILERS:

The retail grocer continues to make a distinct and unique contribution to the American way of life. His task is to make conveniently available to the people in his neighborhood the food products they want, at the time

Visitors at official opening of Houston, Texas, Cracker Bakery



they want them. Modern methods of retailing have made available to the consumer a greatly increased variety of quality products, at fair prices.

Store displays of Nabisco products—similar to the one shown on page 12, which is typical of modern merchandising methods—have made it possible for individual stores to sell up to \$7,500 of our products per month. This is but one of many varied types of display used by Nabisco salesmen to help the retail merchant promote the sale of our products.

This merchandising assistance—combined with strong advertising support and a fair margin of profit—continues to make the Nabisco line one of the most attractive to the retailer.

CONSUMERS:

The consumer is an important member of the Nabisco family. All the people of the United States, England and Canada are potential users of our products.

Since 1939 the per capita volume of our products consumed in the United States increased 55 per cent. Similar increases have been realized in England and Canada.

We hope to maintain and expand our markets through the introduction of new products and the continuous improvement of established products. Our dedication to quality and fair price continues, and aggressive mer-

chandising and advertising are constantly emphasized.

COMMUNITY RELATIONS:

We are cognizant of our responsibilities in each of the 255 communities where we operate plants, branches and warehouses. We have customers, employees and stockholders in these communities. Thus we are a part of these communities and are gladly accepting our community responsibilities.

The formal opening of our new Houston, Texas, bakery was held on November 16, 1949. The plant was inspected by 24,500 citizens of Houston, including local stockholders, employees and their families, retailers and the general public.

A meeting of the Board of Directors was held at the bakery on November 14, 1949, and was attended by eleven of our fifteen directors. A dinner given in our honor that night by the Houston Chamber of Commerce was attended by 470 prominent citizens of Texas.

Product Research and Development

Our research and marketing groups have been actively engaged throughout the past year in developing new varieties and in improving the quality and packaging of established varieties.

[Continued on page 19]

Views of the New Research Laboratory



You may well be proud of our new, ultra-modern Research Laboratory, occupying an entire floor atop the newest of our bakery buildings in New York City.

The questions to be asked — and answered — in this Laboratory will have special significance for all concerned with our business. New products are being created here and current products improved. New methods are being developed, old methods made better. New packaging materials are being tested, and adopted when they prove superior to other materials. All these continuing efforts bring new assurance to both retailer and consumer that they will keep right on getting from NABISCO the finest bakery products that skill and experience can produce.

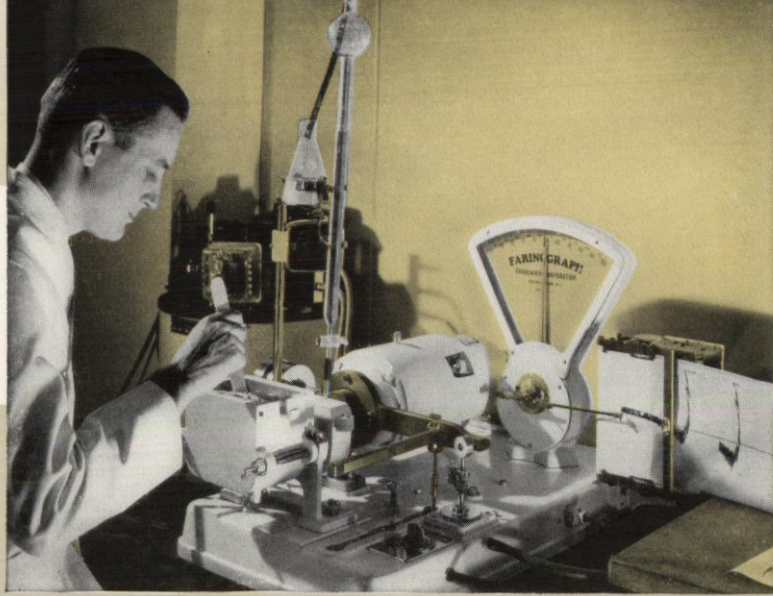


This is the Reception Lobby of NABISCO's Research Laboratory. Visitors from our own and other companies are received here.

The Director of the Laboratory discusses a problem with a member of his staff.



The Library contains the best in technical literature for research purposes.



A chemist operates the Farinograph. This equipment measures and records accurately the amount of resistance which a dough offers to the mixing operation.

Research Means



Pictured below is the Fermentation Cabinet (*left*) used to record action of certain temperatures and humidity conditions on doughs. Gas-fired reel oven (*right*) serves in the baking of test formulas.

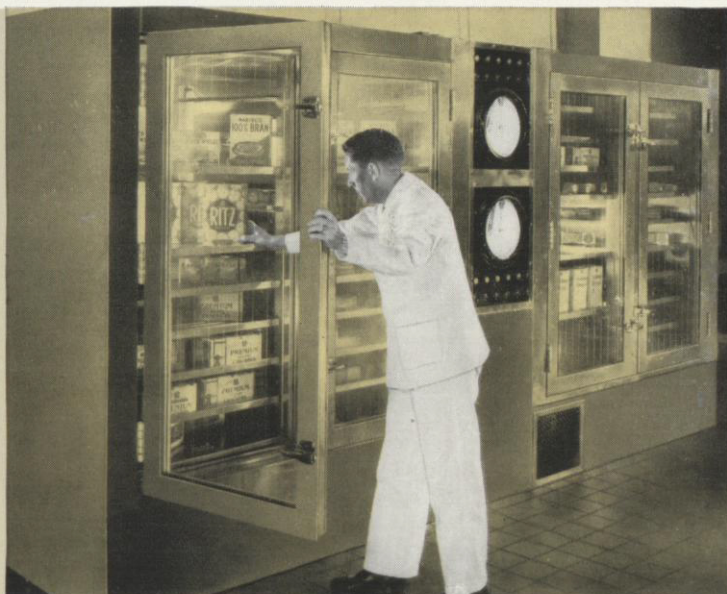


"Pilot" Band Oven also bakes experimental varieties. This is the first band oven of its size and type to be made anywhere. Its special automatic controls are not found on large band ovens.

Better Products and Better Packaging



In this Humidity Cabinet, which duplicates all weather conditions, packaged products are tested for aging, moisture protection, drying out of baked products, and durability of packaging materials.



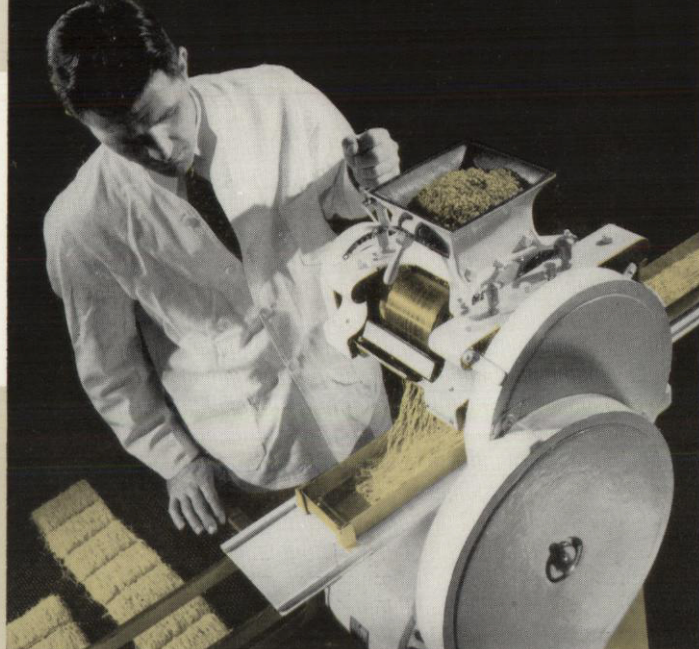
A view of the Process and Products Division. This is one of the most important divisions in the new Research Laboratory.



Here is one more tangible achievement of our post-war program. The new streamlined NABISCO Research Laboratory is an investment in progress for today and tomorrow. It is a pledge that our contribution to the public will be ever greater as the years go by.



An assistant chemist checks the nitrogen apparatus to determine the protein content of both raw materials and finished products. An important test, because protein is valuable for muscle and tissue building.



The Laboratory's experimental wheat shredder. It is a single unit of the type employed in the Company's bakeries for regular NABISCO SHREDDED WHEAT production.

The storage room simulates weather conditions found in grocery stores in all parts of the country the year round. Products are tested here under actual food store conditions.



Among others, the following new varieties of biscuits and crackers are proving to be especially popular:

ADORA CREME SANDWICH
WAFFLE CREAMS ASSORTED
FRUITED OATMEAL COOKIES
RITZ CROUTON CRACKERS
COCKTAILERS CRACKERS
KETTLE COOKIES
PEANUT CREAM PATTIES
SPANGLES MARSHMALLOW CAKES

Our popular Premium Crackers are now known as Premium Saltine Crackers and have been changed to a thinner, crisper type. This change, made after a careful survey to determine public preference, met with immediate consumer acceptance.

The new product, Nabisco Potato Chips, is still in the experimental stage and has not yet been distributed nationally.

The development of new products will increase the consumption of plentiful farm commodities, at the same time increasing our plant production and sales. Successful research, therefore, benefits the farmer and the consumer, as well as our employees and stockholders.

Plant Improvements and Additions

The program for the construction of new facilities and the rehabilitation

of others went ahead at an accelerated pace during 1949. The following projects were completed:

1. New cracker bakeries were placed in operation at Houston, Texas, and Toronto, Canada.

2. A modern cracker bakery, located at St. Louis, Missouri, completed in October, 1947, but which thereafter had been permanently closed, was purchased by us early in 1949 and has been in operation since May.

3. A new bread and cake bakery was completed and placed in operation at Plattsburg, New York.

Many of our plants have been or are being equipped with modern machinery and materials-handling devices, all designed to increase productivity and help bring our products to the consumer at a fair price.

We expect to complete the following major projects in 1950:

CLEVELAND, OHIO *New Bread Bakery*

ELMIRA, N.Y. *New Bread Bakery*

NEWBURGH, N.Y.

Addition to Bread Bakery

NIAGARA FALLS, N.Y.

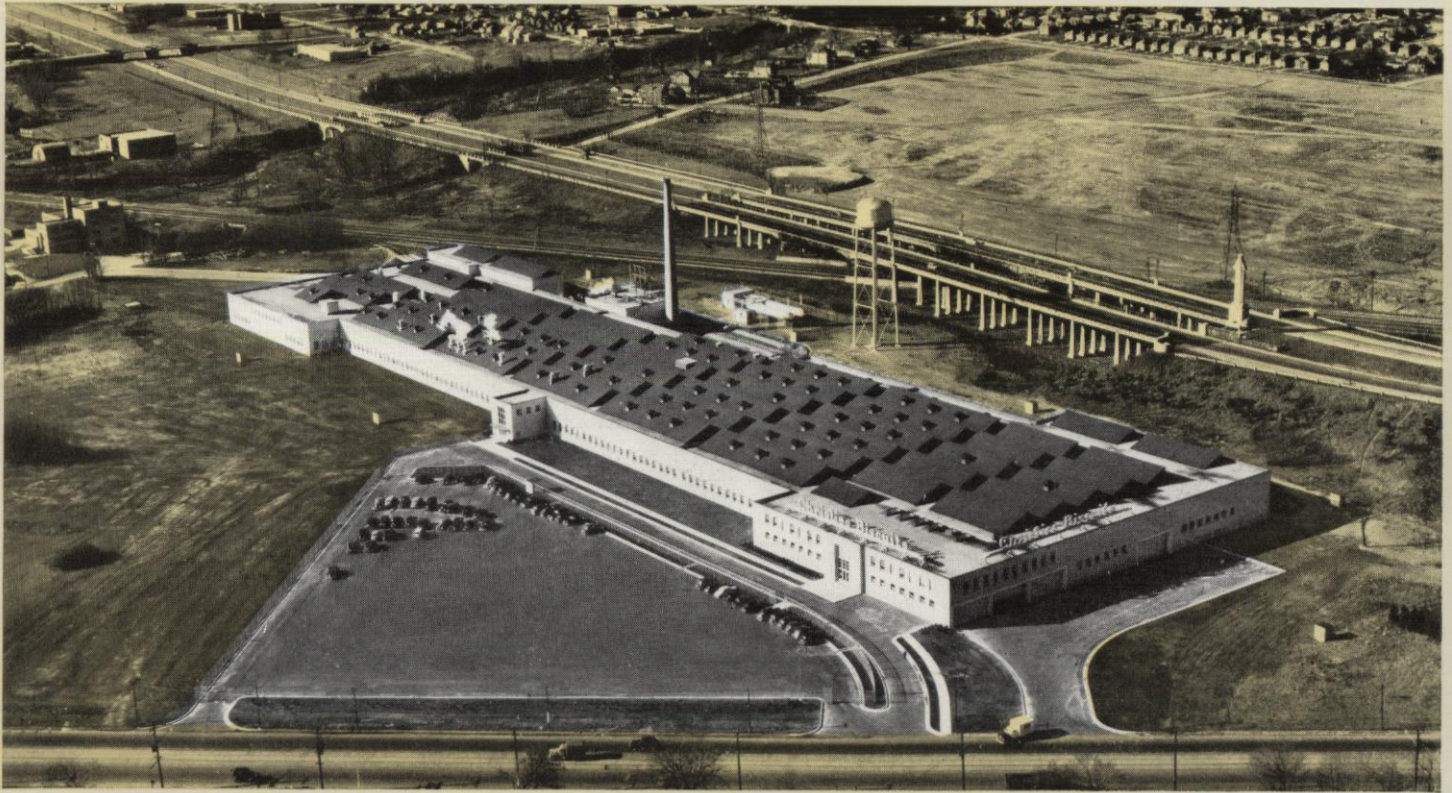
Additional Triscuit Unit

PITTSBURGH, PA. *Modernized and*

Enlarged Cracker Bakery

PORTLAND, ORE. *New Cracker Bakery*

ROCHESTER, N.Y. *New Bread Bakery*



Christie, Brown and Company, Limited, Toronto, Cracker Bakery

During 1949 we spent \$20,300,000 for new facilities and we plan to invest an additional \$18,000,000 during 1950. These new tools will make better products, more economically. Thus they will help to keep our Company competitive and so provide job and profit security for our employees and stockholders.

Foreign Subsidiaries

Operations of our one English and three Canadian subsidiaries are proceeding satisfactorily.

The new bakery of our Canadian

subsidiary, Christie, Brown and Company, Limited, located at Etobecoke, a suburb of Toronto, Ontario, was completed in 1949 and is now in almost full production. An aerial view of the plant is reproduced on this page. This is a modern plant, similar to those we are building in the United States.

Christie, Brown and Company, Limited, was unable to meet the demand for many of its products in Canada until the completion of this plant. We have had a most favorable response from the Canadian public to the high quality of the biscuits and

crackers produced in the new bakery.

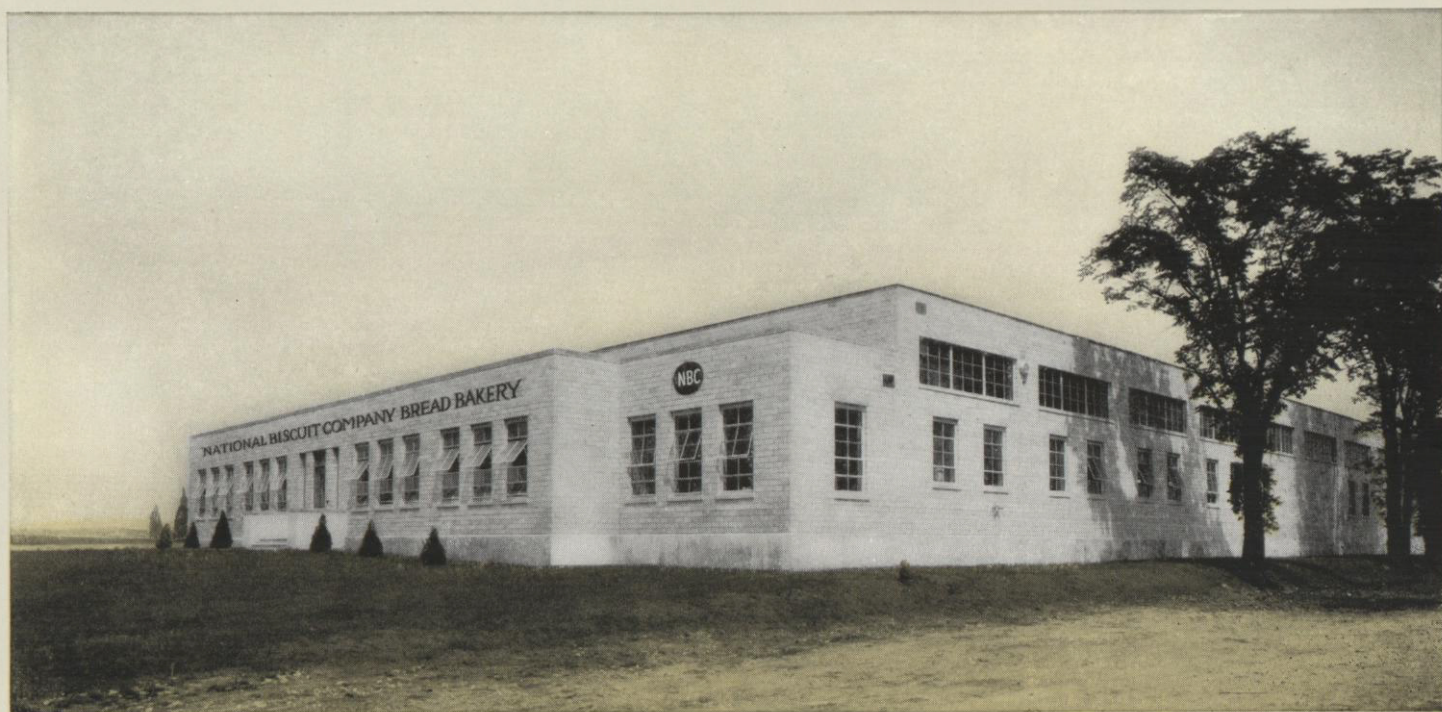
Price controls on our finished product in England were removed on November 6, 1949. Our English prices were increased a week later because of the increase in the price of imported wheat resulting from the devaluation of the pound sterling.

It has been our policy to maintain the working capital of foreign subsidiaries at reasonably low levels consistent with minimum requirements. Accordingly, losses attendant upon the devaluation of English and Canadian currencies in September, 1949, were not serious, and approximated \$156,000. This loss has been included in selling, general and administrative expenses shown in the income statement for the year 1949.

With the sharp decline in the

United States dollar value of foreign currencies, it appeared desirable to have the income statement reflect the dollar values of foreign sales, costs, expenses and other items at the dates of the transactions. Operations of the subsidiaries for 1949 have, therefore, been included in the income statement on such basis. This is a departure from our previous method of including sales, costs and other items of the foreign subsidiaries at so-called parity of exchange, and reducing the net foreign earnings to reflect current rates through the foreign exchange adjustments account. We have not conformed the 1948 income statement—included in this report for comparative purposes—to the new method, as the amounts involved in that year were not material.

Plattsburg, N. Y., Bread and Cake Bakery



As mentioned in our previous report, we are continuing to explore the possibilities of developing profitable operations in other countries, especially in South America. We hope to complete definite plans of action in 1950.

The Future

The outlook for our business for the year 1950 is favorable. I believe we will have a continuation of volume approximating that enjoyed in 1949.

Industry must strive for maximum production, which I believe can be attained by making it possible for the American people to purchase more goods. We can help by improving our techniques and management know-how and by controlling our costs so that savings can be passed along to the consumer.

One of the great problems in business today is the control of costs. Many costs are fixed, at least on the downside, so that the area of control is minimized. The greatest prospects for reducing costs in the future are through technological improvement, the use of the most modern production and distribution techniques available and the development of new and better ones.

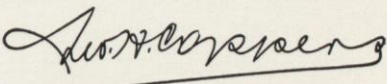
We are studying our markets carefully in an endeavor to determine the desires of the consumer. Our research

people are engaged continuously in the development of new products, in improving established products, and in finding new uses for the commodities so plentiful in our country. Maximum volume can be achieved by knowing our markets and the desires of the consumer; by effective sales, advertising and merchandising planning; and by producing good products at fair prices.

Business generally has made progress in perfecting and completing improved facilities and replacing worn-out plant. We can, therefore, look ahead to keener competition for the consumer market. This is a healthy situation and one that will serve to stimulate and intensify the efforts to achieve greater efficiency and maximum production which will benefit everyone.

Your management has continued during 1949 to examine every phase of the business in an effort to make NABISCO a better competitor—to strengthen our Company in the interests of every member of the Nabisco family.

With a program of constant improvement in products, facilities, distribution, personnel and management, we view the future with confidence.


PRESIDENT

SUMMARY OF OPERATIONS — 1949

We received from sale of our products \$294,420,391

We expended for:

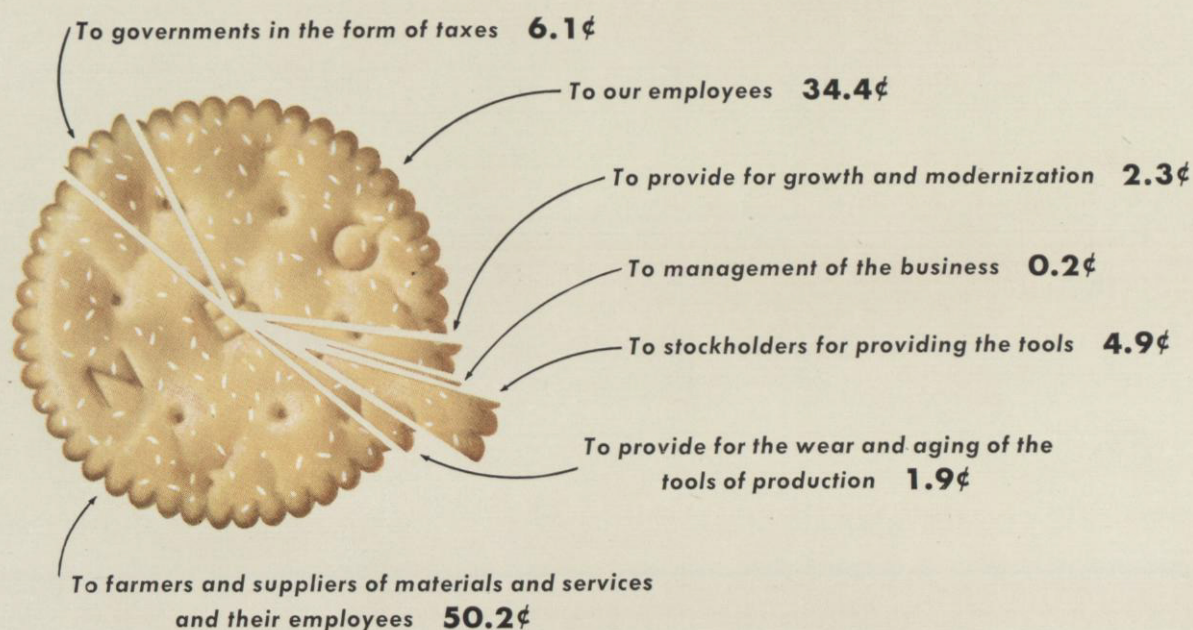
Raw materials, supplies and services bought from others . . .	\$147,706,177
Employees' services (wages, pensions, social security taxes, etc., including additional accrual for 1950 vacations)	101,390,700
Direct taxes, except social security taxes	17,830,546
Estimated wear and tear on plant and equipment	5,548,898
Loss on sale of assets not needed to produce income	89,533
Officers' salaries for management of the business	<u>548,100</u>

Leaving profits†, representing the cost of using the tools of production (plant and equipment), which were:

Distributed as dividends to the stockholders	\$ 14,315,211
Retained in the business for expansion and modernization	<u><u>6,991,226</u></u>

†National Biscuit Company also received \$370,466 for activities not related to the manufacture or sale of its products.

Each Nabisco Sales Dollar Produced Income:



CONSOLIDATED

ASSETS

	December 31, 1949	December 31, 1948
Cash	\$ 12,059,845	\$ 10,376,562
Government securities:		
(Approximately equal to amounts at market quotations)		
United States	34,123,000	34,073,000
Other	18,500	99,000
Note: \$1,800,000 principal amount deposited as collateral for notes payable by Canadian subsidiary; \$741,500 deposited to comply with workmen's compensation requirements, etc.		
Accounts receivable	6,409,398	7,216,799
Raw materials, supplies and finished product (NOTE 1)	36,463,555	39,667,902
Total current assets	89,074,298	91,433,263
Miscellaneous investments	87,842	93,564
Post-war refund of excess profits taxes (Canada)	201,323	352,672
Plants, real estate, machinery and equipment (NOTE 2)	81,795,119	67,350,164
Prepaid expenses and deferred charges	2,137,911	2,604,619
Total	\$173,296,493	\$161,834,282

(Notes to the financial statements appear on page 27)

BALANCE SHEET

LIABILITIES

	December 31, 1949	December 31, 1948
Notes payable to bank (by Canadian subsidiary) . . .	\$ 1,620,000	\$ —
Accounts payable (Purchase invoices, payrolls and other accruals not due for payment)	10,696,810	8,645,791
Common dividends, payable January 13, 1950 . . .	5,031,558	5,031,558
Reserve for federal and foreign taxes on income . . .	14,611,642	14,188,024
Total current liabilities	31,960,010	27,865,373

CAPITAL

Capital stock, preferred (Par value \$100—7% cumulative, noncallable) Shares authorized 250,000, issued 248,045	24,804,500	24,804,500
Capital stock, common (Par value \$10) Shares authorized 12,000,000, issued 6,289,448	62,894,480	62,894,480
Retained earnings:		
Appropriated:		
Insurance and contingent reserve	3,726,188	3,720,306
Reserve for high-cost plant additions	12,000,000	12,000,000
Inventory reserve	5,000,000	5,000,000
Unappropriated	32,911,315	25,549,623
Total	\$173,296,493	\$161,834,282

CONSOLIDATED INCOME & UNAPPROPRIATED RETAINED EARNINGS

	1949	1948
Net sales	\$294,420,391	\$296,250,431
Cost of sales	191,744,716	200,974,290
Selling, general and administrative expenses . .	56,049,528	51,489,158
Depreciation	5,548,898	4,226,517
Foreign exchange adjustments	—	81,179
Taxes (other than federal and foreign taxes on income)	5,017,349	4,627,956
	<u>258,360,491</u>	<u>261,399,100</u>
Income from operations	36,059,900	34,851,331
Interest and miscellaneous income (net)	370,466	275,337
	<u>36,430,366</u>	<u>35,126,668</u>
Loss on disposal of fixed assets	89,533	1,219
	<u>36,340,833</u>	<u>35,125,449</u>
Provision for federal and foreign taxes on income .	14,663,930	13,811,713
Net income for the year before extraordinary income (NOTE 3)	21,676,903	21,313,736
Transferred from reserve for federal and foreign taxes on income (NOTE 4)	—	1,400,000
Net income for the year including extraordinary income	21,676,903	22,713,736
Unappropriated retained earnings January 1 . .	25,549,623	23,151,098
	<u>47,226,526</u>	<u>45,864,834</u>
Appropriated as reserve for high-cost plant additions	—	6,000,000
	<u>47,226,526</u>	<u>39,864,834</u>
Preferred dividends	1,736,315	1,736,315
Common dividends	12,578,896	12,578,896
	<u>14,315,211</u>	<u>14,315,211</u>
Unappropriated retained earnings December 31 .	<u>\$ 32,911,315</u>	<u>\$ 25,549,623</u>

(Notes to the financial statements appear on page 27)

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Raw materials, supplies and finished product are carried in the balance sheet at cost or market, whichever is lower, and comprise:

	1949	1948
Raw materials and supplies	\$ 27,238,628	\$ 30,633,278
Finished product	9,224,927	9,034,624
	<u>\$ 36,463,555</u>	<u>\$ 39,667,902</u>

NOTE 2. Plants, real estate, machinery and equipment comprise:

	1949	1948
Cost of properties owned:		
Land	\$ 8,772,369	\$ 8,849,713
Buildings	63,095,511	55,876,977
Machinery and equipment	64,467,820	52,903,067
Total	136,335,700	117,629,757
Less, allowances for depreciation	54,540,581	50,279,593
	<u>\$ 81,795,119</u>	<u>\$ 67,350,164</u>

NOTE 3. Due to changes in the dates on which vacations accrue, two years' vacation expense has been charged to operations for the year 1949, as explained on page 4. The additional year's expense reduced net income approximately \$2,000,000, after consideration of the related reduction in federal income taxes.

NOTE 4. The Company's federal income and excess profits tax returns have been examined by the taxing authorities for years through 1946. Based upon such examinations, \$1,400,000 of the reserve for federal and foreign taxes on income, which had been provided from income of prior years, was not required and was accordingly returned to income in 1948.

NOTE 5. The financial statements for 1949 include the following U. S. dollar amounts (translated at appropriate rates of exchange) in respect of the four foreign subsidiaries: net current assets and deferred charges, \$395,176; net fixed assets, \$9,673,075; and net income, \$1,319,538.

NOTE 6. The so-called "portal to portal" pay suits referred to in the last three Annual Reports have been dismissed with the exception of two minor suits. We expect that these suits will also be dismissed.

REPORT OF AUDITORS

TO THE STOCKHOLDERS OF

NATIONAL BISCUIT COMPANY, NEW YORK, N. Y.

We have examined the consolidated balance sheet of National Biscuit Company and its subsidiary companies as of December 31, 1949, and the related consolidated statement of income and unappropriated retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and unappropriated retained earnings present fairly the consolidated financial position of National Biscuit Company and its subsidiary companies at December 31, 1949, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.
February 3, 1950

LYBRAND, ROSS BROS. & MONTGOMERY

CONDENSED ELEVEN-YEAR STATEMENT

(All amounts are as of December 31 of each year and

WORKING CAPITAL:	1949	1948	1947
Current assets:			
Cash and government securities	\$ 46,201	\$ 44,548	\$ 46,884
Accounts receivable	6,409	7,217	6,830
Raw materials, supplies and finished product	36,464	39,668	43,082
Total current assets	<u>89,074</u>	<u>91,433</u>	<u>96,796</u>
Current liabilities:			
Bank loan (Canada)	1,620		
Accounts payable and accruals	10,697	8,645	6,842
Common dividends payable	5,032	5,032	5,032
Provision for federal and foreign taxes on income	14,611	14,188	16,926
Total current liabilities	<u>31,960</u>	<u>27,865</u>	<u>28,800</u>
Working capital	57,114	63,568	67,996
PLANTS, REAL ESTATE, MACHINERY AND EQUIPMENT (net)	81,795	67,350	54,938
MISCELLANEOUS INVESTMENTS, OTHER ASSETS AND PREPAID AND DEFERRED ITEMS	2,427	3,051	2,579
Net assets	141,336	133,969	125,513
PREFERRED STOCK	24,805	24,805	24,805
Book value of common stock	<u>\$116,531</u>	<u>\$109,164</u>	<u>\$100,708</u>

Book value of common stock for years prior to 1944 has been stated at amounts exclusive of intangible assets then carried on the books. Similarly, "Plants, real estate, machinery and equipment" has been restated for years prior to 1944 to reflect tangible assets only. The write-off of intangible assets was completed in 1944.

"Raw materials, supplies and finished product" has been restated for years prior to 1946 by adding back the inventory reserve of \$1,019,381, which in the reports for those years was shown as a deduction therefrom.

OF CONSOLIDATED ASSETS & LIABILITIES

are expressed in thousands of dollars except footnotes)

<u>1946</u>	<u>1945</u>	<u>1944</u>	<u>1943</u>	<u>1942</u>	<u>1941</u>	<u>1940</u>	<u>1939</u>
\$ 43,027	\$ 47,382	\$ 41,056	\$ 31,191	\$ 30,310	\$ 31,001	\$ 33,618	\$ 30,708
6,712	4,723	6,131	6,503	7,367	3,520	2,920	2,462
34,549	27,052	25,956	26,668	20,584	15,326	10,234	10,501
<u>84,288</u>	<u>79,157</u>	<u>73,143</u>	<u>64,362</u>	<u>58,261</u>	<u>49,847</u>	<u>46,772</u>	<u>43,671</u>
6,292	5,525	5,074	4,797	3,740	2,622	2,171	2,029
1,887	1,887	1,887	1,887	1,887	2,516	2,516	
<u>13,521</u>	<u>19,807</u>	<u>23,215</u>	<u>16,728</u>	<u>15,963</u>	<u>9,593</u>	<u>6,428</u>	<u>4,826</u>
21,700	27,219	30,176	23,412	21,590	14,731	11,115	6,855
<u>62,588</u>	<u>51,938</u>	<u>42,967</u>	<u>40,950</u>	<u>36,671</u>	<u>35,116</u>	<u>35,657</u>	<u>36,816</u>
52,246	52,563	57,933	60,132	63,632	65,360	65,693	64,767
<u>2,091</u>	<u>1,757</u>	<u>4,136</u>	<u>2,560</u>	<u>1,869</u>	<u>993</u>	<u>1,103</u>	<u>1,483</u>
116,925	106,258	105,036	103,642	102,172	101,469	102,453	103,066
<u>24,805</u>	<u>24,805</u>	<u>24,805</u>	<u>24,805</u>	<u>24,805</u>	<u>24,805</u>	<u>24,805</u>	<u>24,805</u>
<u>\$ 92,120</u>	<u>\$ 81,453</u>	<u>\$ 80,231</u>	<u>\$ 78,837</u>	<u>\$ 77,367</u>	<u>\$ 76,664</u>	<u>\$ 77,648</u>	<u>\$ 78,261</u>

The annual "Net income" less "Dividends declared" amounts shown in the accompanying "Condensed Eleven-Year Statement of Consolidated Income and Other Statistics" do not exactly account for the yearly changes in "Book value of common stock" indicated above because of net reserve additions aggregating approximately \$1,020,000 over the eleven-year period.

CONDENSED ELEVEN-YEAR STATEMENT OF

(All amounts are expressed in thousands of dollars.)

	1949	1948	1947
REVENUE:			
Net sales	\$294,420	\$296,250	\$263,894
Other income	37 [†]	1,675 [†]	327
Total	<u>294,791</u>	<u>297,925</u>	<u>264,221</u>
EXPENSES:			
Cost of sales	191,745	200,974	172,011
Selling, general and administrative expenses	56,050	51,489	45,524
Depreciation	5,549	4,227	3,809
Taxes (other than federal and foreign taxes on income)	5,017	4,628	4,823
Miscellaneous	89	82	101
Provision for federal and foreign taxes on income	14,664	13,811	15,051
Total	<u>273,114</u>	<u>275,211</u>	<u>241,319</u>
Net income	<u>\$ 21,677</u>	<u>\$ 22,714[†]</u>	<u>\$ 22,902</u>
DIVIDENDS DECLARED:			
Preferred	\$ 1,736	\$ 1,736	\$ 1,736
Common	12,579	12,579	12,579
EXPENSE STATISTICS:			
Cost of employees' services	\$101,391	\$ 93,981	\$ 79,596
Taxes (except social security taxes)	17,831	16,795	18,127
PER SHARE STATISTICS:			
(per share of common stock)			
Net income	\$ 3.17	\$ 3.33 [†]	\$ 3.36
Dividends	2.00	2.00	2.00
Taxes (except social security taxes)	2.84	2.67	2.88
OTHER STATISTICS:			
Number of stockholders	64,579	65,753	65,441
Number of employees	31,109	31,402	29,128

[†]Includes extraordinary income of \$1,400,000 equal to 22 cents per share of common











CONSOLIDATED INCOME & OTHER STATISTICS

(except per share figures, other statistics and footnote)

<u>1946</u>	<u>1945</u>	<u>1944</u>	<u>1943</u>	<u>1942</u>	<u>1941</u>	<u>1940</u>	<u>1939</u>
\$220,195	\$204,995	\$205,273	\$183,027	\$154,759	\$110,785	\$96,150	\$90,966
2,818†	413	354	335	230	173	143	188
<u>223,013</u>	<u>205,408</u>	<u>205,627</u>	<u>183,362</u>	<u>154,989</u>	<u>110,958</u>	<u>96,293</u>	<u>91,154</u>
145,019	132,786	133,228	117,984	93,031	59,927	44,505	39,979
38,858	35,487	34,714	33,007	30,314	25,090	29,093	28,723
3,583	3,456	3,321	3,279	3,310	3,250	3,167	3,067
4,053	4,356	4,798	4,086	3,859	3,479	3,256	3,521
159	2,371	197	199	193	168	347	106
11,686	16,444	18,890	14,210	13,857	8,312	4,776	3,424
<u>203,358</u>	<u>194,900</u>	<u>195,148</u>	<u>172,765</u>	<u>144,564</u>	<u>100,226</u>	<u>85,144</u>	<u>78,820</u>
<u>\$ 19,655†</u>	<u>\$ 10,508</u>	<u>\$ 10,479</u>	<u>\$ 10,597</u>	<u>\$ 10,425</u>	<u>\$ 10,732</u>	<u>\$11,149</u>	<u>\$12,334</u>
\$ 1,736	\$ 1,736	\$ 1,736	\$ 1,736	\$ 1,736	\$ 1,736	\$ 1,736	\$ 1,736
7,547	7,547	7,547	7,547	8,176	10,063	10,059	10,048
\$ 70,478	\$ 66,494	\$ 64,133	\$ 58,125	\$ 47,548	\$ 36,079	\$31,792	\$29,816
14,229	19,137	21,994	16,643	16,276	10,592	6,956	5,878
\$ 2.85†	\$ 1.39	\$ 1.39	\$ 1.41	\$ 1.38	\$ 1.43	\$ 1.50	\$ 1.68
1.20	1.20	1.20	1.20	1.30	1.60	1.60	1.60
2.26	3.04	3.50	2.65	2.59	1.68	1.11	.93
67,010	66,110	64,927	62,791	61,172	60,376	58,306	56,092
27,398	29,005	29,932	28,619	25,103	20,814	19,256	18,869

stock in 1948 and \$2,492,685 equal to 40 cents per share of common stock in 1946.

Nabisco Cereals & Specialties

Numbered among the famous members of the NABISCO product family are a score of items enjoying nationwide popularity and unusual consumer loyalty. In the cereal group are NABISCO SHREDDED WHEAT  the original Niagara Falls shredded wheat, America's great "body-building cereal"; WHEATSWORTH CEREAL  a perennial choice of those who like a rich, natural whole wheat product, and the "finer-milled"  NABISCO 100% BRAN. There is  WHEATSWORTH 100% WHOLE WHEAT FLOUR ready for use in baking. NBC BREAD  AND CAKE  identified by the blue  bull's-eye are favorites in certain markets where they are sold. NABISCO POTATO CHIPS  a newcomer in the eastern area, gains in popularity as buyers recognize the superb quality they have come to associate with all NABISCO products. NABISCO'S REAL CAKE CONES  in many shapes, delight the young in heart from coast to coast. The canine world, too, enjoys NABISCO products in the form of  MILK-BONE dog foods made with the same scrupulous attention to flavor and nutrition that is given every product carrying the red NABISCO seal







THE SEAL OF PERFECT BAKING